

STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

**DICKINSON COUNTY
ROAD COMMISSION**

December 31, 2003

Local Audit and Finance Division
Bureau of Local Government Services

DICKINSON COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

Charles D. Erickson
Chairperson

James G. Harris
Vice Chairperson

Allan Bilski
Member

Tim Hammill
Managing Director

Danielle Schultz
Director of Finance

Dave Pajula
Engineer

COUNTY POPULATION--2000
27,472

STATE EQUALIZED VALUATION--2002
\$752,721,746



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

May 6, 2004

Dickinson County Road Commission
Board of County Road Commissioners
P.O. Box 519
Iron Mountain, Michigan 49801

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying general purpose financial statements of the Dickinson County Road Commission, a component unit of Dickinson County, Michigan, as of and for the year ended December 31, 2003 as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Dickinson County Road Commission as of December 31, 2003 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 6, 2004 on our consideration of the Road Commission's internal control over financial reporting and our test on its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Dickinson County Road Commission, taken as a whole. The accompanying supplemental

and related information in Exhibits E through G is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

DICKINSON COUNTY ROAD COMMISSION

TABLE OF CONTENTS

Page

GENERAL PURPOSE FINANCIAL STATEMENTS

EXHIBIT A--Combined Balance Sheet	1
EXHIBIT B--Statement of Revenues, Expenditures and Changes in Fund Balance	2
EXHIBIT C--Statement of Revenues and Other Financing Sources Budget and Actual	3
EXHIBIT D--Statement of Expenditures--Budget and Actual	4
NOTES TO FINANCIAL STATEMENTS	5

SUPPLEMENTAL INFORMATION AND SCHEDULES

EXHIBIT E--Analysis of Changes in Fund Balances	23
EXHIBIT F--Analysis of Revenues and Other Financing Sources	24
EXHIBIT G--Analysis of Expenditures	25
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	26
Comments and Recommendations	28

**DICKINSON COUNTY ROAD COMMISSION
COMBINED BALANCE SHEET
December 31, 2003**

EXHIBIT A

	GOVERNMENTAL		ACCOUNT GROUP	
	FUND TYPE			
	General Operating Fund	General Long-Term Debt	General Fixed Assets	Total (Memorandum Only)
<u>ASSETS</u>				
Cash	\$ 225,280			\$ 225,280
Investments	7,895			7,895
Due From State	525,794			525,794
Due From Cities	26,021			26,021
Due From Townships	20,399			20,399
Due From Primary Government	3,338			3,338
Inventories				
Road Materials	304,025			304,025
Equipment Parts and Materials	58,474			58,474
Property Plant and Equipment				
Net of Accumulated Depreciation			\$ 2,434,120	2,434,120
Amount to be Provided for				
Payment of Long-Term Debt		\$ 1,697,929		1,697,929
Total Assets	<u>\$ 1,171,226</u>	<u>\$ 1,697,929</u>	<u>\$ 2,434,120</u>	<u>\$ 5,303,275</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Accounts Payable	\$ 41,401			\$ 41,401
Accrued Liabilities	26,329			26,329
Due to State	972			972
Advances				
Driveway Plowing	32,949			32,949
Primary Government	-			-
State	114,339			114,339
Bonds Payable		\$ 360,000		360,000
Installment Purchase Agreement		1,006,151		1,006,151
Vested Employee Benefits Payable		331,778		331,778
Total Liabilities	<u>215,990</u>	<u>1,697,929</u>	<u>\$ -</u>	<u>1,913,919</u>
Fund Equities				
Investment in General Fixed Assets			2,434,120	2,434,120
Fund Balance				
Reserved for Long-Term Receivables	43,000			43,000
Unreserved and Undesignated	912,236			912,236
Total Fund Equities	<u>955,236</u>	<u>-</u>	<u>2,434,120</u>	<u>3,389,356</u>
Total Liabilities and Fund Equities	<u>\$ 1,171,226</u>	<u>\$ 1,697,929</u>	<u>\$ 2,434,120</u>	<u>\$ 5,303,275</u>

The Notes to Financial Statements are an integral part of this statement.

**DICKINSON COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2003**

EXHIBIT B

	<u>Operating Fund</u>
Revenues	
Federal Aid	\$ 263,275
State Aid	3,361,179
Contributions From Local Units	458,578
Charges for Services	546,894
Interest and Rents	4,315
Other Revenue	<u>40,580</u>
Total Revenues	<u>4,674,821</u>
Expenditures	
Public Works	4,466,841
Capital Outlay--Net	165,233
Debt Service	<u>405,360</u>
Total Expenditures	<u>5,037,434</u>
Excess of Revenues Over (Under) Expenditures	<u>(362,613)</u>
Other Financing Sources	
Proceeds From Lease Purchase	514,181
County Appropriation	<u>35,000</u>
Total Other Financing Sources	<u>549,181</u>
Excess of Revenues and Other Financing Sources Over Expenditures	186,568
Fund Balance--January 1, 2003	<u>768,668</u>
Fund Balance--December 31, 2003	<u><u>\$ 955,236</u></u>

The Notes to Financial Statements are an integral part of this statement.

DICKINSON COUNTY ROAD COMMISSION
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
For the Year Ended December 31, 2003

EXHIBIT C

	Budget	Actual	Variance Favorable (Unfavorable)
Federal Aid			
Surface Transportation Program	\$ 126,961	\$ 98,024	\$ (28,937)
Economic Development D Funds	-	2,791	2,791
High Priority	169,600	162,460	(7,140)
State Aid			
Michigan Transportation			
Engineering	10,000	10,000	
Primary Road	1,874,681	1,915,190	40,509
Local Road	705,244	716,209	10,965
Primary Urban Road	72,397	73,523	1,126
Local Urban Road	47,066	47,799	733
Snow Removal	13,200	13,335	135
Economic Development			
Target Industry (A)	70,955	94,701	23,746
Rural Primary (D)	-	1,364	1,364
Forest Funds (E)	122,901	122,901	-
State Buyback	366,157	366,157	-
Contributions--Local Units			
Townships	453,292	456,961	3,669
Cities and Villages	10,700	1,617	(9,083)
Charges for Services			
State Trunkline Maintenance	477,200	485,234	8,034
State Trunkline Non-Maintenance	55,446	55,491	45
Private Drive Snow Removal	5,638	5,492	(146)
Salvage Sales	800	677	(123)
Interest and Rents			
Interest Earned	4,325	4,315	(10)
Other Revenue			
Contribution From Private Sources	45,649	35,649	(10,000)
Refunds and Rebates	962	966	4
Gain on Equipment Disposals	1,714	3,965	2,251
Total Operating Revenue	4,634,888	4,674,821	39,933
Other Financing Sources			
Proceeds From Installment Purchase Agreement	514,181	514,181	-
County Appropriation	35,000	35,000	-
Total Other Financing Sources	549,181	549,181	-
Total Operating Revenue and Other Financing Sources	5,184,069	<u>\$ 5,224,002</u>	<u>\$ 39,933</u>
Fund Balance--January 1, 2003	<u>768,667</u>		
Total Budget	<u>\$ 5,952,736</u>		

The Notes to Financial Statements are an integral part of this statement.

DICKINSON COUNTY ROAD COMMISSION
STATEMENT OF EXPENDITURES--BUDGET AND ACTUAL
For the Year Ended December 31, 2003

EXHIBIT D

	Budget	Actual	Variance Favorable (Unfavorable)
Primary Road			
Construction	\$ 904	\$ 812	\$ 92
Heavy Maintenance	623,568	623,482	86
Maintenance	956,719	956,677	42
Local Road			
Construction	19,920	19,919	1
Heavy Maintenance	1,141,264	1,132,902	8,362
Maintenance	1,042,085	1,041,856	229
Local Road Structure			
Heavy Maintenance	27,821	26,730	1,091
Maintenance	2,000	570	1,430
State Trunkline Maintenance	485,800	485,307	493
State Trunkline Non-Maintenance	55,588	55,491	97
Non Road Project	2,185	2,185	-
Private Snow Plowing	6,628	5,492	1,136
Equipment Expense--Net	(141,064)		
Direct		\$ 823,934	
Indirect		308,165	
Operating		169,153	
Less: Equipment Rentals		<u>(1,461,315)</u>	18,999
Administrative Expense--Net	286,069		
Administrative Expense		334,267	
Less: Handling Charges		-	
Overhead--State		(51,656)	
Overhead--Other		(6,933)	
Purchase Discounts		<u>(197)</u>	10,588
Capital Outlay--Net	159,578		
Capital Outlay		539,649	
Less: Depreciation Credits		(374,416)	
Equipment Retirements		<u>-</u>	(5,655)
Debt Service			
Principal Payments	347,518	347,518	-
Interest Expense	<u>57,842</u>	<u>57,842</u>	-
Total Expenditures	5,074,425	<u>\$ 5,037,434</u>	<u>\$ 36,991</u>
Fund Balance--December 31, 2003	<u>878,311</u>		
Total Budget	<u>\$ 5,952,736</u>		

The Notes to Financial Statements are an integral part of this statement.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE A--REPORTING ENTITY

The Dickinson County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a 3 member board of county road commissioners appointed by the county board of commissioners. The Road Commission may not issue debt or levy property taxes without the county board of commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Dickinson County Road Commission, a discretely presented component unit of Dickinson County, and include the Road Commission Operating Fund, General Fixed Asset Account Group and General Long-Term Debt Account Group.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for street and highway purposes. The board of county road commissioners is responsible for the administration of the Road Commission Operating Fund.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Dickinson County Road Commission conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The financial activities of the Road Commission are recorded in separate funds and account groups categorized as follows:

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund--Special Revenue Fund

Special revenue funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Account Groups--General Fixed Assets Account Group

This account group presents the fixed assets of the Road Commission utilized in its general operations. Fixed assets used in the general fund type operations are accounted for in the general fixed assets account group, rather than in the governmental funds. All fixed assets are recorded at cost, or if donated, at their estimated fair value on the date donated.

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt.

The general fixed assets group of accounts and general long-term debt group of accounts are not funds and do not involve the measurement of the results of operations.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of Dickinson County Road Commission conform to generally accepted accounting principles as applicable to governmental units.

Cash, Cash Equivalents and Investments

Investments are recorded at cost. Demand deposits and short-term investments with a maturity date of 3 months or less when acquired are considered to be cash equivalents.

Interest-Bearing Deposits

Interest-bearing deposits are recorded at cost. Interest earned is recorded as revenue when the investment matures or when credited by the financial institution to the interest-bearing account.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Fixed assets purchased are recorded as capital outlay expenditures in the General Operating Fund and, subsequently, capitalized in the fixed assets account group. All assets are recorded at cost, except for depletable assets, which are at cost or appraisal value. Such assets, which are recorded as expenditures at the time of purchase, do not include infrastructure assets such as roads, bridges, curbs and gutters, streets and sidewalks, and lighting systems.

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other fixed assets. The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to a depreciation credit account. Accordingly, the annual depreciation expense does not affect the available operating equities of the General Operating Fund. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years

Inventories

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

Long-Term Debt

The general long-term debt account group is used to account for long-term liabilities that will be financed from the General Operating Fund.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Column on Combined Statements--Overview

The total column on the balance sheet--Exhibit A, is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not represent financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

NOTE C--BUDGETARY PROCEDURES

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the county board of road commissioners to approve a budget for the county road fund. Pursuant to the act, the Road Commission's chief fiscal officer (office manager) prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and, subsequently, adopts an operating budget. The board has authorized the chief fiscal officer to amend the Road Commission's budget when necessary, without increasing the overall budget, by transferring funds between expenditure cost centers. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

Budget Violations

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. The following activity and total expenditures exceeded the final amended budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Net Capital Outlay	\$159,578	\$165,233	\$(5,655)

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--BALANCE SHEET CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The county treasurer has designated five banks for the deposit of Road Commission funds. The Road Commission's deposits are in accordance with statutory authority. The Road Commission has adopted an investment policy in compliance with the provisions of Public Act 196 of 1997, which includes all of the above investments.

Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the Road Commission's cash deposits, is as follows:

	<u>Carrying Amount</u>	<u>Financial Institution Balance</u>
Deposits and Imprest Cash		
Insured (FDIC)	\$164,894	\$ 263,965
Uninsured	60,186	100,843
Imprest Cash	<u>200</u>	<u></u>
Total Deposits and Imprest Cash	<u>\$225,280</u>	<u>\$ 364,808</u>

The Road Commission's insured deposit amount is by virtue of the County Road Fund meeting certain specified criteria under FDIC regulations.

The GASB Statement No. 3 risk disclosures for the Road Commission's investments are as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Nonrisk-Categorized		
Government Operating Money Market	<u>\$ 7,895</u>	<u>\$7,899</u>
Total Operating Fund	<u>\$ 7,895</u>	<u>\$7,899</u>

The Road Commission has investments purchased through pooled investment accounts at two financial institutions. The nature of the pooled investments does not allow for risk-categorization in accordance with GASB Statement No. 3.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE E--DEFERRED COMPENSATION PLAN

Some employees of the Dickinson County Road Commission are participants in a deferred compensation plan offered by the Dickinson County Board of Commissioners. The plan, created in accordance with the Internal Revenue Code, Section 457, is available to all Dickinson County employees and elected officials, and permits them to defer a portion of their current salary until the employee's termination, retirement, death or unforeseeable emergency.

The plan is administered by the National Association of Counties (NACo) through the Public Employees' Benefit Services Corporation (PEBSO). NACo, as plan administrator, agrees to hold harmless and indemnify the county, its appointed and elected officers and participating employees from any loss resulting from NACo or its agent's failure to perform its duties and services pursuant to the NACo Program.

Effective January 1, 1997, the assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account, and all other matters.

NOTE F--GUST K. NEWBERG CHARITABLE TRUSTS

The Dickinson County Road Commission has been named as a 15% beneficiary in the \$5,000,000 "Gust K. Newberg Charitable Trust." The trust agreement provides for named trustees to hold, invest and reinvest the corpus of the trust and collect and receive the income, thereof, and distribute the net income, thereof, to the beneficiaries at least annually.

In 2003, the Road Commission received four quarterly distributions of trust income for the period September 1, 2002 to October 31, 2003. The Road Commission's policy is to record revenues from the trust on the cash basis, which was \$36,649 during 2003.

In addition to the above trust provisions, Mr. Newberg also provided that upon the death of his wife, Penny M. Newberg, there should be paid out of the trust, created for Mrs. Newberg, a sum of \$500,000 to the Dickinson County Road Commission.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--ADVANCE (DUE) FROM PRIMARY GOVERNMENT

Dickinson County Board of Commissioners--Working Capital Loans

At December 31, 2002, there was a balance of \$19,379 recorded as an advance from the county (primary government). The advance is to be used for roadwork done on the county parks or other county property. During 2003, the Road Commission completed projects meeting the requirements to eliminate the advance that existed at December 31, 2002. The county advanced \$7,500 to the Road Commission during 2003. The total accumulated advance was \$26,879 and was restricted to work performed as designated by the county, for the county's properties, which totaled \$30,216 during 2003. At December 31, 2003, the county owed the Road Commission \$3,338, representing an amount overspent on county projects and was recorded by the Road Commission as an amount Due from County (primary government).

NOTE H--GENERAL FIXED ASSETS ACCOUNT GROUP

Following is a summary of the changes in the general fixed assets account group.

	Balances 01/01/03	Additions	Deductions	Balances 12/31/03
Fixed Asset Accounts				
Land and Improvements	\$ 195,998	\$ 9,917		\$ 205,915
Buildings	1,500,678		\$ 1,255	1,499,423
Road Equipment	4,933,753	523,978	56,251	5,401,480
Shop Equipment	152,494	1,779	2,330	151,943
Office Equipment	74,518	2,071	-	76,589
Engineers' Equipment	53,453	1,903	3,373	51,983
Total	6,910,894	539,648	63,209	7,387,333
Reserve for Depreciation Accounts				
Buildings	396,259	41,948	\$ 1,255	436,952
Road Equipment	4,051,985	319,695	56,251	4,315,429
Shop Equipment	72,238	11,551	2,330	81,459
Office Equipment	69,457	2,131	-	71,588
Engineers' Equipment	46,367	4,791	3,373	47,785
Total	4,636,306	380,116	63,209	4,953,213
Plant and Equipment Equity				
Primary Road	666,007		109,629	556,378
Road Commission	1,608,581	539,648	270,487	1,877,742
Total	\$ 2,274,588	\$539,648	\$380,116	\$ 2,434,120

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--GENERAL LONG-TERM DEBT

The changes in long-term debt of the Road Commission may be summarized as follows:

	Balance 01/01/03	Additions (Reductions)	Balance 12/31/03
Equipment Lease--Purchase Agreements			
Caterpillar Financial Services			
June 2000 Lease	\$ 88,677	\$ (35,094)	\$ 53,583
September 2002--Lease	66,398	(13,081)	53,317
September 2002--Lease	170,981	(33,028)	137,953
September 2002--Lease	197,474	(38,146)	159,328
		211,800	
November 2003--Lease	-	(7,082)	204,718
Deere Credit Services			
December 1999 Lease	61,584	(29,909)	31,675
October 2000 Lease	9,945	(9,945)	-
May 2002 Lease	124,429	(25,936)	98,493
DiamlerChrysler Services North America LLC			
		140,723	
May 2003--Lease	-	(17,584)	123,139
		161,658	
June 2003--Lease	-	(17,713)	143,945
Michigan Transportation Fund Notes Payable	480,000	(120,000)	360,000
Vested Employee Benefits			
Vacation Benefits	85,969	(9,787)	76,182
Sick Leave Benefits	274,475	(18,879)	255,596
Totals	<u>\$1,559,932</u>	<u>\$137,997</u>	<u>\$1,697,929</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--GENERAL LONG-TERM DEBT (Continued)

Equipment Lease-Purchase and Loan Agreements

The annual requirements to meet the monthly installment payments on various pieces of equipment acquired by lease-purchase or loan agreements are as follows:

Caterpillar Leasing

June 2000 Lease-Purchase--143H Caterpillar

Terms: 60 monthly installments of \$3,300 at 5.9% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/03</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
06/00	\$169,900	2004	\$37,332	\$2,273	\$39,605
		2005	<u>16,251</u>	<u>252</u>	<u>16,503</u>
			<u>\$53,583</u>	<u>\$2,525</u>	<u>\$56,108</u>

September 2002 Lease-Purchase--Caterpillar D3 Dozer

Terms: 60 monthly installments of \$1,317 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/03</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
09/02	\$70,629	2004	\$13,681	\$2,119	\$15,800
		2005	14,310	1,491	15,801
		2006	14,967	833	15,800
		2007	<u>10,359</u>	<u>175</u>	<u>10,534</u>
			<u>\$53,317</u>	<u>\$4,618</u>	<u>\$57,935</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--GENERAL LONG-TERM DEBT (Continued)

September 2002 Lease-Purchase--Caterpillar D6Dozer

Terms: 60 monthly installments of \$3,337 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/03</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
09/02	\$179,009	2004	\$ 34,546	\$ 5,501	\$ 40,047
		2005	36,133	3,914	40,047
		2006	37,793	2,254	40,047
		2007	29,481	556	30,037
			<u>\$ 137,953</u>	<u>\$ 12,225</u>	<u>\$150,178</u>

September 2002 Lease-Purchase--Caterpillar 143H Motor Grader

Terms: 60 monthly installments of \$3,854 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/03</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
09/02	\$206,746	2004	\$ 39,899	\$ 6,353	\$ 46,252
		2005	41,731	4,521	46,252
		2006	43,649	2,603	46,252
		2007	34,049	641	34,690
			<u>\$159,328</u>	<u>\$ 14,118</u>	<u>\$173,446</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--GENERAL LONG-TERM DEBT (Continued)

November 2003 Lease-Purchase--Caterpillar 972G Wheel Loader

Terms: 60 monthly installments of \$3,888 at 3.86% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/03</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
11/03	\$211,800	2004	\$ 39,176	\$ 7,476	\$ 46,652
		2005	40,772	5,880	46,652
		2006	42,434	4,218	46,652
		2007	44,162	2,490	46,652
		2008	<u>38,174</u>	<u>704</u>	<u>38,878</u>
			<u>\$ 204,718</u>	<u>\$ 20,768</u>	<u>\$225,486</u>

Deere Credit Leasing

December 1999 Lease-Purchase--John Deere Excavator

Terms: 60 monthly installments of \$2,722.54 at 5.75% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/03</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
12/99	\$141,675	2004	<u>\$31,675</u>	<u>\$ 995</u>	<u>\$32,670</u>
			<u>\$31,675</u>	<u>\$ 995</u>	<u>\$32,670</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--GENERAL LONG-TERM DEBT (Continued)

May 2002 Lease-Purchase--John Deere 772CH Motor Grader

Terms: 60 monthly installments of \$2,607 at 4.75% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/02</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
05/02	\$139,000	2004	\$ 27,195	\$ 4,091	\$ 31,286
		2005	28,515	2,771	31,286
		2006	29,900	1,387	31,287
		2007	12,883	153	13,036
			<u>\$ 98,493</u>	<u>\$ 8,402</u>	<u>\$106,895</u>

Daimler Chrysler Services

May 2003 Lease-Purchase--Quad Axle Dump Truck

Terms: 60 monthly installments of \$2,584 at 4.02% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/03</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
05/03	\$140,723	2004	\$ 26,545	\$ 5,351	\$ 31,896
		2005	27,633	4,091	31,724
		2006	28,765	2,771	31,536
		2007	29,944	1,387	31,331
		2008	10,252	153	10,405
			<u>\$ 123,139</u>	<u>\$ 13,753</u>	<u>\$136,892</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--GENERAL LONG-TERM DEBT (Continued)

May 2003 Lease-Purchase--Quad Axle Dump Truck

Terms: 60 monthly installments of \$2,969 at 4.02% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/03</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
06/03	\$161,658	2004	\$ 30,392	\$ 5,235	\$ 35,627
		2005	31,638	3,989	35,627
		2006	32,934	2,693	35,627
		2007	34,284	1,343	35,627
		2008	14,697	148	14,845
			<u>\$ 143,945</u>	<u>\$ 13,408</u>	<u>\$157,353</u>

Michigan Transportation Fund Notes Payable Series 2001

During 2001, Dickinson County Road Commission entered into Act 143 Michigan Transportation Fund Revenue Notes Payable for the purpose of constructing a garage in the amount of \$600,000 with interest ranging from 3.8% to 5.125%.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/03</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
04/03/01	\$600,000	2004	\$ 120,000	\$ 14,040	\$134,040
		2005	120,000	9,480	129,480
		2006	120,000	4,800	124,800
			<u>\$ 360,000</u>	<u>\$28,320</u>	<u>\$388,320</u>

Vested Employee Vacation Benefits

Vacation benefits are earned monthly at various rates based on length of service. Each hourly (union) employee may accumulate a maximum of 240 hours of vacation time. Any authorized accumulation over the maximum 240 hours will be paid to an employee as a lump sum.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--GENERAL LONG-TERM DEBT (Continued)

Employee Sick Leave Benefits

Each hourly (union) employee will be granted sick leave at the rate of 8 hours for each month of employment and shall be able to accumulate sick leave to a maximum 600 hours. Salaried employees may earn sick leave with no accumulation limit.

Accumulated sick leave benefits are paid in accordance with the following provisions:

1. Voluntary Termination--Salaried employees will be paid 50% of their accumulated sick leave, and hourly (union) employees will not be entitled to any payment for unused sick days.
2. Retirement or Death--For those hired prior to January 1, 1995, salaried and hourly (union) employees will be paid 100% of their accumulated sick leave, not to exceed 600 hours upon retirement, or in the case of death to the employee's beneficiary. For employees hired after January 1, 1995, they will be paid 100% of their accumulated sick leave, not to exceed 400 hours upon retirement, or in the case of death to the employee's beneficiary.

NOTE J--EMPLOYEES' RETIREMENT SYSTEM

Plan Description

Description of Plan and Plan Assets

The Dickinson County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2002.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way Street, Lansing, Michigan 48917.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Funding Policy

Members of the employee's group do not contribute any annual compensation. One member of the Road Commissioner's group contributes 3% of the first \$4,200 and 5% of his annual compensation in excess of \$4,200. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy. The Road Commission is required to contribute at an actuarially determined rate; the rate for the year ended December 31, 2003 was 11.22% and 5.65% of covered payroll for the General-Other and General-Road Commission Groups. The actuarially determined rate for 2002 was 11.00% and 11.14% of covered payroll for the General-Other and General-Road Commission Groups.

Annual Pension Cost

During the calendar year ended December 31, 2002, the Road Commission's contributions totaling \$160,164 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2000. The employee contribution of \$116 was also paid by one employee. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>December 31</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
1999	\$ 179,034	100%	\$0
2000	169,661	100%	\$0
2001	160,164	100%	\$0

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/00	\$4,544,696	\$5,422,785	\$ 878,089	84%	\$ 1,323,331	66%
12/31/01	4,822,459	5,659,829	837,370	85%	1,433,731	58%
12/31/02	4,902,390	6,092,424	1,190,034	80%	1,414,171	84%

NOTE K--POST-EMPLOYMENT BENEFITS

Health Care Insurance Benefits

In addition to the pension benefits described in Note J, the Dickinson County Road Commission provides post-employment health care insurance benefits to specified retired employees and/or their spouse. The benefits are provided in accordance with Article 10, Section 1, of the union agreement, which includes the following provision:

"A retiree plan which excludes the Drug Rider will be provided to the retiree and his/her dependents for three (3) years following retirement. After three (3) years, the employer will pay towards the retiree's premium only, in the amount equivalent to the complimentary plan for five (5) years."

In accordance with the working agreement of salaried employees with the Dickinson County Road Commission, salaried employees upon retirement are entitled to the same plan that they had while employed, except for the Drug Rider, until death and spouse to age 70, with the total cost of the plan paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2003, 6 retirees were eligible for this benefit at a total cost of approximately \$26,005.

Life Insurance

Salaried employees, upon retirement, are entitled to \$5,000 of life insurance with the premium paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2002, 5 retirees were eligible for this benefit at a total cost of approximately \$240.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE L--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the state. The Dickinson County Road Commission became a member of the Pool for liability and property coverage in 1991 and for workers' compensation coverage in 1993.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan, member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

During 2003 and the previous 2 years, there were no settlements which exceeded the respective insurance coverage.

NOTE M--OPERATING TRANSFERS IN--PRIMARY GOVERNMENT

The amounts reported as operating transfers in under other financing sources consist of transfers of cash (appropriations) from the county to the County Road Fund. The transfers of cash between the various county funds are budgeted but reported separately from revenue as operating transfers in unless they represent temporary advances that are to be repaid, in which case, they are carried as liabilities of the borrowing funds. The county appropriated \$35,000 during 2003 to the Road Commission.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE N--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2003, the Federal aid received and expended by the Road Commission was \$194,371 for contracted projects and \$68,904 for two (2) negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission. Since the negotiated expenditures were under \$300,000, a single audit was not required.

DICKINSON COUNTY ROAD COMMISSION
ANALYSIS OF CHANGES IN FUND BALANCES
For the Year Ended December 31, 2003

EXHIBIT E

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$2,396,170	\$1,325,116	\$ 953,535	\$ 4,674,821
Total Expenditures	1,674,082	2,301,574	1,061,778	5,037,434
Excess of Revenues Over (Under) Expenditures	722,088	(976,458)	(108,243)	(362,613)
Other Financing Sources (Uses)				
Proceeds From Lease Purchase			514,181	514,181
County Appropriation			35,000	35,000
Interfund Adjustment		379,944	(379,944)	-
Optional Transfers	(596,514)	596,514		-
Total Other Financing Sources (Uses)	(596,514)	976,458	169,237	549,181
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	125,574	-	60,994	186,568
Fund Balance--January 1, 2003	578,930	-	189,738	768,668
Fund Balance--December 31, 2003	\$ 704,504	\$ -	\$ 250,732	\$ 955,236

DICKINSON COUNTY ROAD COMMISSION
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES
For the Year Ended December 31, 2003

EXHIBIT F

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Federal Aid				
Surface Transportation Program	\$ 98,024			\$ 98,024
Economic Development D Funds	2,791			2,791
High Priority	162,460			162,460
State Aid				
Michigan Transportation				
Engineering	7,300	\$ 2,700		10,000
Allocation	1,915,190	716,209		2,631,399
Urban	73,523	47,799		121,322
Snow Removal		13,335		13,335
Economic Development				
Target Industries (A)	30,701	64,000		94,701
Rural Primary (D)	1,364			1,364
Forest (E)	100,406	22,495		122,901
State Buyback	-		\$ 366,157	366,157
Contributions--Local Units				
Townships		456,961		456,961
Cities and Villages		1,617		1,617
Charges for Services				
State Trunkline Maintenance			485,234	485,234
State Trunkline Non-Maintenance			55,491	55,491
Private Drive Snow Removal			5,492	5,492
Salvage Sales			677	677
Interest and Rents				
Interest Earned	3,250		1,065	4,315
Other Revenue				
Contribution From Private Sources			35,649	35,649
Refunds/Rebates			966	966
Gain on Equipment Disposal	1,161		2,804	3,965
Total Operating Revenue	2,396,170	1,325,116	953,535	4,674,821
Other Financing Sources				
Proceeds From Bonds	-		514,181	514,181
County Appropriation			35,000	35,000
Total Other Financing Sources	-	-	549,181	549,181
Total Revenue and Other Financing Sources	\$ 2,396,170	\$ 1,325,116	\$ 1,502,716	\$ 5,224,002

DICKINSON COUNTY ROAD COMMISSION
ANALYSIS OF EXPENDITURES
For the Year Ended December 31, 2003

EXHIBIT G

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Construction	\$ 812			\$ 812
Heavy Maintenance	623,482			623,482
Maintenance	956,677			956,677
Local Road				
Construction		\$ 19,919		19,919
Heavy Maintenance		1,132,902		1,132,902
Maintenance		1,041,856		1,041,856
Local Road Structures				
Heavy Maintenance		26,730		26,730
Maintenance		570		570
State Trunkline Maintenance			\$ 485,307	485,307
State Trunkline Non-Maintenance			55,491	55,491
Non Road Project			2,185	2,185
Private Snow Plowing			5,492	5,492
Equipment Expense--Net (Per Exhibit D)	(51,973)	(81,360)	(26,730)	(160,063)
Administrative Expense--Net (Per Exhibit D)	114,524	160,957		275,481
Capital Outlay--Net (Per Exhibit D)	(109,630)		274,863	165,233
Debt Service				
Principal Payments	120,000		227,518	347,518
Interest Payments	20,190		37,652	57,842
Total Expenditures	\$ 1,674,082	\$ 2,301,574	\$ 1,061,778	\$ 5,037,434



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

May 6, 2004

Dickinson County Road Commission
Board of County Road Commissioners
P.O. Box 519
Iron Mountain, Michigan

RE: Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Commissioners:

We have audited the financial statements of the Dickinson County Road Commission, a component unit of Dickinson County, as of and for the year ended December 31, 2003, and have issued our report thereon dated May 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether the Dickinson County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we did note an instance of noncompliance described in the accompanying Report of Comments and Recommendations as Finding 03-1.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Dickinson County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of county road commissioners, management, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

DICKINSON COUNTY ROAD COMMISSION

COMMENTS AND RECOMMENDATIONS

DECEMBER 31, 2003

Revised

OTHER REPORTABLE CONDITIONS

Although our study and evaluation of the internal control structure disclosed no condition that we believe to be a material weakness, our audit disclosed certain other reportable conditions, which we wish to point out for consideration by the management of the Dickinson County Road Commission.

STATUTORY COMPLIANCE

Our examination revealed the following instances of noncompliance with State statutes.

Uniform Budgeting and Accounting Act Provisions--Expenditures

Finding 03-1

Condition: The Road Commission has made budget amendments throughout the year, however, as detailed in Exhibit D, the net expenditure in 1 of 19 activities exceeded the amended budget by \$5,655. The total actual expenditures were within the total budgeted amount.

Criteria: The expenditure of funds in excess of the budget is contrary to the provisions of Section 17 of Public Act 2 of 1968, which provides, in part, as follows:

"Except as otherwise provided in Section 19, a deviation from the original general appropriations act (budget) shall not be made without amending the general appropriations act. The legislative body (board of county road commissioners) of the local unit shall amend the general appropriations act as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined."

Section 18(3) also provides, in part, that:

"...except as otherwise provided in Section 19, an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body."

Directive: We direct the Road Commission to comply with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act, being MCL 141.421 through 141.440.